

November 15, 1973

MEMORANDUM: To File

SUBJECT: Filings With The Renegotiation Board

In late afternoon Tuesday, 13 November 1973, Mr. Herd (Air America Treasurer/Controller) delivered to Mr. J. W. MacNamara of The Renegotiation Board, RB Form's 1 for Air America and its subsidiaries for the corporate fiscal years 1967, 1968, 1969, 1970, 1971 and 1972. (Copies are attached hereto.) Mr. Herd delivered certain supporting paperwork with that filing and discussed the forms with Mr. Macnamara. Also, a combined letter on behalf of Air America, Inc., Air Asia Company Limited, and Air America Limited requesting permission to file a consolidated return(s) was delivered. (A copy of that letter is attached.)

At the request of Mr. David Lambert, General Counsel of the Board, on Thursday November 15, 1973 Messrs. Carter and Herd met with Messrs. Lambert and MacNamara at the Board to discuss the Air America filings and procedure for dealing therewith. It is obvious that the Board personnel are somewhat chagrined that Air America is in fact over six years delinquent in complying with the requirements of the Renegotiation Act and the Board's regulations, notwithstanding that prior to company fiscal year 1967 the company had received exemption letters from the prior Board Chairman. It was also stated and made clear to us that notwithstanding any special interests which may be involved, the Board's Chairman insists that the Air America filings be treated the same as any other filings. Under the "Freedom of Information Act" all such filings with the Board, including our filings, become public record and the resolutions thereupon will become public record. Mr. Lambert identified the purpose of the meeting (as he had noted the day before to me by telephone) to be: to determine a procedure for the handling and disposition of Air America Filings.

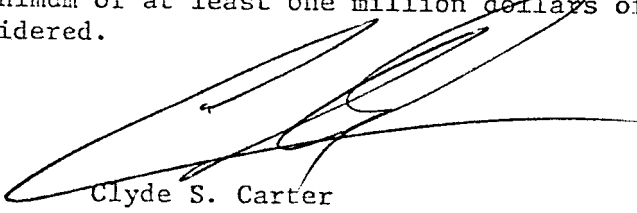
We were advised that: the percentages of profit on our renegotiable business for the years filed indicates that there may be determinable excess profits for some or all of those years, and that the normal procedure would be to turn our filings over to the Regional Board for audit and determination purposes. Mr. Lambert indicated that it is possible for our "case" to be handled and resolved at the Board level but that if such is done it may be necessary for us to submit a written request therefor. Attached to this memoarndum is a chart of data extracted from the Air America filings which reflects the percentages of operating profit on the renegotiable sales/business performed by Air America for the years shown. (Preliminary figures for 1973 have been worked up although those figures have not yet been filed as The Renegotiation Board filing is only due 30 days after the tax return is filed, and Air America has obtained an extension until December 15, 1973 to file this tax return.)

The Board's regulations permit the Board to take a number of things into consideration in determining whether excess profits, within the meaning of that term in the Renegotiation Act, were realized by a DOD-Contractor. These considerations include comparisons with other companies engaged in similar business undertakings; efficiency of the contractor; amount of capital employed; extent of risk assumed; contribution to the defense acts; character of business - etc. Except for Continental (CAST) who has filed its data with the Board, there appears to be no company engaged in fairly comparable business. (I understand determinations have been made by the Board's staff on the Continental filings but percentage of profit "allowed" was not available for disclosure during the course of our conversation.) Mr. MacNamara advised us that he had obtained a profit percentage of 3.16% from the IRS reflected of a large group of companies in the air transport, including aircraft maintenance industries as being an average percentage realized by those companies for their renegotiable business with the DOD. The percentage of 3.16% was thus advanced to us as a point of departure for consideration in comparing our own realized percentages. The attached chart of extracted data (referred to above) has a column computed at 3.16% for comparison purposes. The comparisons thus reflected are indeed dramatic! Mr. MacNamara indicated in a telephone conversation to me that he feel sure that an evaluation of our filings would produce an indicated percentage of profit perhaps well above 3.16% but that any such determined percentage would not be as great as those realized by us for the years 1967-1972, inclusive.

Mr. Lambert requested that we re-establish contact with him on Monday, November 19, 1973 to pick up our dialogue and considerations on this matter.

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It appears relatively clear to me that certain of the Board's personnel (including, perhaps, its Chairman and General Counsel) are aware of the present cash position of The Pacific Corporation, of the disposition efforts now being made, and are impressed that The Pacific Corporation's apparent cash-rich position will soon be further enhanced thus, in discussing possible procedural steps, on the basis that some recapture will be made, Mr. Lambert noted that we might wish to consider making a voluntary refund as a solution to the determinations. It seemed to me that in his making that suggestion there was an implied note that the Board's recapture of funds from The Pacific Corporation would in effect be doing us a favor! Some of the points for consideration which I noted (although the meeting was not held for that purpose) including my observations that part of any "retained earnings" by this corporate company must be identified as insurance reservations since, among other things, we are also in the self-insurance business for the Workmen's Compensation coverage required by the Defense Base Act and, for instance, present indications are that a minimum of at least one million dollars of such retained earnings must be so considered.



Clyde S. Carter

Approved For Release 2005/04/21 : CIA-RDP76-00702R000200080016-2

STAT

Approved For Release 2005/04/21 : CIA-RDP76-00702R000200080016-2

AIR AMERICA, INC.

1725 K STREET, N.W.
WASHINGTON, D.C. 20006

TELEPHONE (202) 223-6130

CABLE ADDRESS
AIRAMERICA

November 13, 1973

Ref.: WC-73-4089

The Renegotiation Board
2000 M Street, N.W.
Washington, D.C. 20446

Attention: Mr. J. W. McNamara, Director
Office of Assignments

Reference: LPI No. 96507 (Air America, Inc.)
LPI No. 96508 (Air Asia Company Limited)

Dear Sirs:

1. Pursuant to the provisions of section 105(a) of the Renegotiation Act of 1951 and Part 1464 of the Renegotiation Board Regulations, the undersigned corporations hereby request renegotiation consideration on a consolidated basis for the fiscal years ended 1967, 1968, 1969, 1970, 1971, 1972 and 1973.
2. The undersigned represent that they constitute all the members of an "affiliated group" as that term is defined in section 1504(a) of the Internal Revenue Code.
3. Each of the undersigned hereby consents, for said fiscal years, to the Renegotiation Board Regulations with respect to (a) the determination and elimination of excessive profits of the undersigned affiliated group and (b) the determination of the amount of the excessive profits of the undersigned affiliated group allocable, for the purposes of section 1481 of the Internal Revenue Code, to each of the undersigned.
4. Air America, Inc. (the common parent corporation of the undersigned affiliated group) is hereby designated as agent of the undersigned affiliated group and is hereby authorized to represent all members of the group in all respects in connection with the consolidated renegotiation proceedings requested herein for said fiscal years.
5. The undersigned represent that they have not filed consolidated Federal income tax returns for said fiscal year; and that, except as indicated in Schedule A attached hereto, each of the undersigned was a member of the affiliated

WC-73-4089

-2-

November 13, 1973

group during the entire fiscal year of the undersigned common parent corporation, and the fiscal year for Federal income tax purposes of each of the undersigned other than said common parent corporation ended on the same date as the fiscal year of said common parent corporation.

6. The undersigned represent that Schedule B attached hereto is a consolidating income account showing separately the renegotiable and nonrenegotiable business of each member of the group in the detail specified in the Standard Form of Contractor's Report.

7. The undersigned are aware that under section 105(e)(1) of the Renegotiation Act of 1951, criminal penalties may be incurred by any person who knowingly furnishes any statement, information, records or data required under said section 105(e)(1), containing information which is false or misleading in any material respect.

8. The person signing this request on behalf of each of the undersigned corporations declares, under the criminal penalties provided in section 105(e)(1) of the Renegotiation Act of 1951, that such corporation has authorized him to sign this request on its behalf.

In witness whereof, the undersigned corporations have executed this request as of the 13th day of November, 1973, by their duly authorized representatives.

AIR AMERICA, INC.

Attest:

James H. Bastian
James H. Bastian
Secretary

Lindsey B. Herd
Lindsey B. Herd
Treasurer

AIR ASIA COMPANY LIMITED

Attest:

James H. Bastian
James H. Bastian
Secretary

Clyde S. Carter
Clyde S. Carter
Senior Vice President

AIR AMERICA, LIMITED

Attest:

Henry P. Bevans
Henry P. Bevans
Secretary

Lindsey B. Herd
Lindsey B. Herd
Treasurer

Schedule A

The fiscal period of each of the following members of the applicant affiliated group ended on the same date as the fiscal year of the other members but began on a later date because such member was incorporated during a later fiscal year, and such member during its entire first fiscal period was a member of such affiliated group.

NAME OF CORPORATION	PRINCIPAL OFFICE	FISCAL PERIOD ^{1/}	
		Began	Ended
Air America, Limited	Hong Kong	April 1, 1967	March 31, 1968

^{1/}The first fiscal year of the applicant affiliated group during which the above listed member had income activity.

AIR AMERICA, INC.

1725 K STREET, N.W.
WASHINGTON, D.C. 20006

TELEPHONE (202) 223-6130

CABLE ADDRESS
AIRAMERICA

November 13, 1973

Ref.: WC-73-4089

The Renegotiation Board
2000 M Street, N.W.
Washington, D.C. 20446

Attention: Mr. J. W. McNamara, Director
Office of Assignments

Reference: LPI No. 96507 (Air America, Inc.)
LPI No. 96508 (Air Asia Company Limited)

Dear Sirs:

1. Pursuant to the provisions of section 105(a) of the Renegotiation Act of 1951 and Part 1464 of the Renegotiation Board Regulations, the undersigned corporations hereby request renegotiation consideration on a consolidated basis for the fiscal years ended 1967, 1968, 1969, 1970, 1971, 1972 and 1973.
2. The undersigned represent that they constitute all the members of an "affiliated group" as that term is defined in section 1504(a) of the Internal Revenue Code.
3. Each of the undersigned hereby consents, for said fiscal years, to the Renegotiation Board Regulations with respect to (a) the determination and elimination of excessive profits of the undersigned affiliated group and (b) the determination of the amount of the excessive profits of the undersigned affiliated group allocable, for the purposes of section 1481 of the Internal Revenue Code, to each of the undersigned.
4. Air America, Inc. (the common parent corporation of the undersigned affiliated group) is hereby designated as agent of the undersigned affiliated group and is hereby authorized to represent all members of the group in all respects in connection with the consolidated renegotiation proceedings requested herein for said fiscal years.
5. The undersigned represent that they have not filed consolidated Federal income tax returns for said fiscal year; and that, except as indicated in Schedule A attached hereto, each of the undersigned was a member of the affiliated

WC-73-4089

-2-

November 13, 1973

group during the entire fiscal year of the undersigned common parent corporation, and the fiscal year for Federal income tax purposes of each of the undersigned other than said common parent corporation ended on the same date as the fiscal year of said common parent corporation.

6. The undersigned represent that Schedule B attached hereto is a consolidating income account showing separately the renegotiable and nonrenegotiable business of each member of the group in the detail specified in the Standard Form of Contractor's Report.

7. The undersigned are aware that under section 105(e)(1) of the Renegotiation Act of 1951, criminal penalties may be incurred by any person who knowingly furnishes any statement, information, records or data required under said section 105(e)(1), containing information which is false or misleading in any material respect.

8. The person signing this request on behalf of each of the undersigned corporations declares, under the criminal penalties provided in section 105(e)(1) of the Renegotiation Act of 1951, that such corporation has authorized him to sign this request on its behalf.

In witness whereof, the undersigned corporations have executed this request as of the 13th day of November, 1973, by their duly authorized representatives.

AIR AMERICA, INC.

Attest:

James H. Bastian
James H. Bastian
Secretary

Lindsey B. Herd
Lindsey B. Herd
Treasurer

AIR ASIA COMPANY LIMITED

Attest:

James H. Bastian
James H. Bastian
Secretary

Clyde S. Carter
Clyde S. Carter
Senior Vice President

AIR AMERICA, LIMITED

Attest:

Henry P. Bevans
Henry P. Bevans
Secretary

Lindsey B. Herd
Lindsey B. Herd
Treasurer

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

EXTENSION

NO.

DATE

18 NOV 1973

TO: (Officer designation, room number, and building)

DATE

RECEIVED

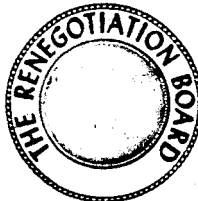
FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

25X1	1. General Counsel [] Headquarters	11/20/73			
	2. LRG JRG			JPL	<p>Here is the information filed with the Renegotiation Board. They appear to be interested in repayment of money which would reduce the amount of funds being returned to the Government. I believe this is contrary to the desires of Congress. Per our conversation I believe you wished to raise this problem with Legislative Counsel.</p> <p>[]</p> <p>Jsw talked to C. Carter 11/19 43 JH 6</p>
	3. JDM		12/3	J	
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	12.				
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	15. []				

Next 44 Page(s) In Document Exempt



WASHINGTON, D.C. 20446
October 29, 1973

Air America, Inc.
1725 K Street, N.W.
Washington, DC 20006

Attention: Clyde S. Carter, Senior Vice President

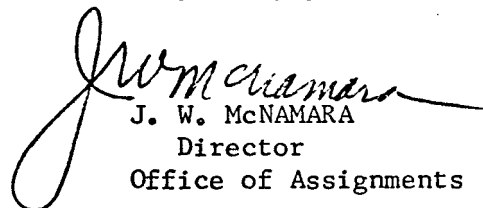
Reference: Air America, Inc. LPI No. 96507
Air Asia Company LPI No. 96508

Gentlemen:

Reference is made to your letter dated October 18, 1973, with which you enclosed a copy of Internal Revenue Service Form 7004 with respect to your fiscal year ended March 31, 1973.

You hereby are granted an extension of time until January 1, 1974, within which to submit renegotiation data for the above referenced companies for such fiscal year.

Very truly yours,

A handwritten signature in dark ink, appearing to read "J. W. McNamara", is written over the typed name and title. The signature is fluid and cursive, with a long, sweeping underline that extends to the right.
J. W. McNAMARA
Director
Office of Assignments